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## DIRECTORATE OF INTELLIGENCE

China: The National Political Scene [ ]

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Summary

Reformers led by Deng Xiaoping have experienced a tense spring as they prod the querulous Chinese bureaucracy forward on a broad political and economic agenda. Economic policies approved last year have stimulated growth but have created both economic and political problems. Bureaucratic streamlining and rejuvenation have been resisted by midlevel officials anxious to protect their positions and perquisites. A party conference planned for September has become the self-imposed deadline for pushing through substantial changes in the national and provincial leadership. Although we assume that the behind-the-scenes politicking over impending personnel moves is particularly intense--a generational struggle between party elders and younger technocrats--Deng's problems amount to managing conflicting opinions and recommendations within the reform group rather than contending with implacable political foes seeking to topple his rule. The reformers will continue to manage tensions through tactical policy adjustments while continuing to apply pressure on the all important personnel questions.

A Sense of Urgency

Beijing's current policies all share a succession angle. Deng, 80 and China's paramount leader, intends to pass full authority to party General Secretary Hu Yaobang and Premier Zhao Ziyang, his designated political

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This memorandum was prepared by [ ] Domestic Policy Branch, China Division, Office of East Asian Analysis in response to a Treasury Department request. Questions and comments are welcome and should be directed to the Chief, Domestic Policy Branch, OEA at [ ]

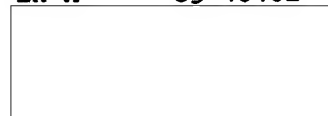
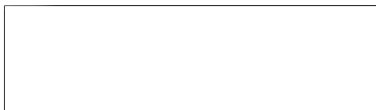
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heirs. To facilitate a smooth succession, the three want to achieve as much as possible while Deng is physically able to remain personally involved. Moreover, the reformers have sought to capitalize on the momentum generated by last autumn's party plenum, which endorsed the sweeping decision to restructure the Chinese economy. Beijing has consistently sought to justify its push for speed by maintaining that China's problems are interrelated and that piecemeal approaches cannot solve them.

Durable reform in China hinges upon personnel issues, not only in the areas of bureaucratic reorganization and party rectification but also in economic reform. The reformers have generally succeeded in placing their own men at the bureaucratic nerve centers, atop the main national and provincial hierarchies. Deng and his allies have consistently made the personnel issue their number-one priority and this year are determined to produce better results in rejuvenating China's economic and military bureaucracies.

Bureaucratic rejuvenation remains a volatile issue, however, because it directly threatens the personal livelihoods of countless superannuated, incompetent, or politically unreliable officials. To implement comprehensive reform, Beijing must overcome the resistance not only of midlevel officials who refuse to comply with retirement guidelines, but also of national leaders who have so far failed to set an example by retiring. Deng himself, by retaining the key post of party Military Commission chairman, provides unintended encouragement to his generational peers, who in many cases will not step aside until Deng does.

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### Political Forces

It is impossible to overstate the centrality of Deng. Although he routinely disclaims a key role in most policy formulation, his influence and personal involvement are more evident than ever. In almost every important instance, he remains the principal expositor of Chinese policy. The party wants to convey an impression that a single strong leader is controlling political events, and in doing so, Beijing's propagandists have created a small personality cult around Deng.

Deng, Hu, and Zhao--along with leaders such as Vice Premier Wan Li and Secretariat member Hu Qili---are the heart of the group conventionally identified as "reformers." The working consensus that Deng seems to have formed within the leadership changes composition over time, however, as Deng's policies cut deeper and deeper through the beliefs of the party's old guard. Several senior leaders who at one time or another have been identified as Deng's allies--for example, Ye Jianying, Wei Guoqing, Peng Zhen, and Chen Yun--have fallen away from Deng as his program gradually departed from Chinese Communist precedent. The growing importance of a younger generation of leaders is symbolized by the shifting locus of day-to-day decisionmaking power from the geriatric Politburo to the more active Secretariat and State Council.

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Although the Central Committee endorsed Deng's economic program at the October plenum, the reforms continue to face opposition at middle and lower levels of administration. Such opposition as exists, however, is amorphous: it is not concerted and has no single spokesman, nor is it directed at a single issue or personality. Basically, it is composed of disgruntled party and army veterans, beneficiaries of the Cultural Revolution, and incompetent party hacks, all of whom perceive that their interests are jeopardized by the new policies and the emphasis on youth and expertise. There are also signs that economic policy and related issues have created strains and disagreements with the Politburo, pitting conservative party elders against younger reformers. Although Deng and his allies take these diverse interests into account and have demonstrated a willingness to compromise, pressures within the leadership may continue to grow as the sequence of personnel and policy deadlines advances.

### Issues

The Economy. The blueprint for economic reform endorsed by the October party plenum represented a clear victory for Deng and his successors and a setback for leaders like Chen Yun who advocate a greater degree of central planning. The plenum called for such controversial measures as decentralization of planning authority, comprehensive wage and price reform, greater reliance on material incentives and competitive business practices, clear separation of party and managerial responsibilities, and appointment of technically competent personnel.

Policy implementation, however, will be long and difficult. Deng and his allies have given themselves five years and are prepared to ride out expected problems such as the inflation, excessive investment in fixed assets, and rise in official corruption that were criticized at the recent session of the National People's Congress. Hu himself suggested resistance will come from planners in Beijing and local administrations who stand to lose authority. Enterprise managers and party officials are also concerned: Beijing plans to replace 40 percent of all managers and 70 percent of party committee members in China's 3000 key industrial enterprises within the year. Threatened officials appear already to have seized upon early problems and dislocations to challenge the correctness of current policy and press for changes in their favor.

Party Rectification. Beijing views the three-year rectification process--a combination of indoctrination, recruitment, and political purge--as a key to policy implementation, restoration of the party's damaged credibility, and the political survival of Hu and Zhao. Although Beijing has recently softened its stance on membership suitability, Hu recently told foreign journalists that some 60,000 members failed to qualify for reregistration during the first year of rectification, which involved nearly a million party members at the top national and provincial levels.

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Party reform is now in its second stage and will involve some 13.5 million members over the next year. Beijing has stressed the need to reassert discipline over wayward party members who have taken advantage of reform to enrich themselves. Another key problem is the continuing legacy of the Cultural Revolution. The national party leadership is still struggling to undo the damages wrought by the extreme radicalism and factionalism of the 1960s and to put that era behind them. In our view, however, the Cultural Revolution as an issue, and the divisions it spawned, will not die until its participants do.

Organizational Reform. Beijing seeks to install, at every administrative level, officials who are younger, technically competent, and in tune with Deng's political and economic reforms. According to the Chinese press, initial reorganization efforts are complete down to the county level, and a large force of "reserve cadre"--some 100,000 prospective leaders awaiting headroom for promotion--has emerged through a careful selection process. Hu Yaobang recently told foreign correspondents that some 900,000 overaged officials had retired through 1984 and that approximately 1.1 million more would go this year. He also allowed that Beijing would undertake a host of personnel moves early this summer, affecting the national party leadership, ministers and their deputies, and provincial party secretaries and governors.

These changes should help Beijing inch closer to improved bureaucratic compliance in policy implementation, but problems remain. Some organizations almost certainly will continue to stall on enforcing retirement guidelines and will allow superannuated officials to hide in bureaucratic anonymity. A variety of means still exist for outgoing officials to maintain their authority through proteges. New appointees who fail to produce immediate results are targets of charges that their youth and professionalism are poor substitutes for the experience of their predecessors.

Army-Party Relations. Since he assumed the chairmanship of the party's Military Commission in late 1980, Deng has generally been able to win the cooperation of conservative senior soldier-politicians. Army-party relations have been relatively smooth under his leadership. Recently, Deng has called on the Chinese military to support more fully his economic and political reforms, renewed pressures on veterans to retire, and proposed an extensive army reorganization for 1985 that includes a force reduction of approximately 1 million troops. These efforts, along with reports that Hu Yaobang will replace Deng as chairman of the party Military Commission some time this year, have troubled some senior military personnel. Their concerns do not appear to have slowed Deng, however.

Deng's main effort has begun to pay off: the superannuated or incompetent officers he seeks to retire are gradually yielding to the combination of attractive retirement benefits, lenient rectification treatment, and political prodding. This year he is focusing on shaking up the broad corps-to-military region layer of command, and--judging by the number of younger officers moving into important posts--seems to be making significant progress.

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Ideology and Control. Recent statements by Deng and Hu impart the determination of China's reform leadership to create a "socialism with Chinese characteristics." Practically, this translates into "socialism with fewer Stalinist characteristics"--less reliance on comprehensive planning, heavy industry, and agrarian collectivism and greater attention to market forces in determining prices and allocations. In departing from their orthodox ideological inheritance, the reformers have been hard pressed by party traditionalists to justify current policy in familiar socialist terms. The response has been largely to redefine how "socialism" should be understood. Recent remarks by both Deng and Hu point to an impending shakeup in the party propaganda apparatus to bring it into line with reformist thinking.

Although Beijing may have discarded many Marxist and Maoist ideological tenets, the principle of Leninist party control remains securely in place. Nevertheless, some reform leaders have sought to woo China's educated elite to their cause by relaxing party restrictions on creative freedoms, and Hu Yaobang especially seems willing to go farther than most party leaders to grant Chinese intellectuals piecemeal concessions. Hu's relative liberality has a flip side, however: in a recent speech he insisted that creative license does not apply to the official party media and that freedom to write does not necessarily imply freedom to publish.

#### Unfinished Business

Party Conference. An extraordinary party Conference of Delegates is scheduled to convene in September, and Deng and his allies have made no secret of their intention to pack the party's top organizations--the Central Committee, Secretariat, and Politburo--with supporters of reform. Hu has indicated that between 30 and 50 new Central Committee members would be named and claimed that his protege, Hu Qili, would be elevated to the Politburo. Deng may also chose that forum to announce his "retirement" from the chairmanship of the Military Commission. The Conference is also slated to take up the next five-year plan.

Succession. When Deng dies or becomes incapacitated, Hu Yaobang must contend with Deng's generational peers, men such as Peng Zhen, Chen Yun, and Li Xiannian, whose standing and influence are basically independent of Deng. In our view, the structure of party power is such that Hu cannot expect to fill Deng's key role as undisputed arbiter of policy immediately upon Deng's death. Hu does not enjoy his mentor's prestige, personal relations, or bureaucratic connections. Although Hu has become a formidable political figure in his own right and will remain in the key party post, his authority in the post-Deng period will be tested by others, including revolutionary elders such as Peng and Li, who may aspire to the role of final decisionmaker.

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